

April 6, 2015

Input to Bipartisan Tax Reform for individual and international tax working groups

We are a married couple, both American citizens, living in the UK. Husband was born in the UK, and moved to the U.S. to work in 1984 and became a permanent resident. Then in 1997 he was sworn in as an American citizen, along with 5,000 others, at a moving ceremony in Boston's Fleet Center. He proudly voted in his first American presidential election in 2000. Wife is an American citizen by birth, and lived in New England most of her life.

When husband was laid off from his U.S. job in 2011, he found employment in the UK and we moved in June of that year. We are very happy living here, where husband can spend more time with his elderly mother, while still in a position to visit family and friends in the U.S.

We are submitting this statement because we feel that the U.S. tax system provides an undue burden — which seems to assume nefarious intent and often feels punitive — on middle-class Americans who have done nothing more than choose to live outside of the United States.

US tax filing

As a UK-born American permanent resident and then citizen, husband faithfully filed FBARs when living in the U.S. This was no burden at all. Knowing how simple it had been for him to file these FBARs, we were both unprepared for the complexity, stress and expense of filing U.S. taxes after we moved to the UK. Neither of us is a finance professional, so we have always used accountants to help us with our tax forms. This was very easy when we were based in the United States; not so anymore.

For 2014 taxes, we encountered the following:

- Accountancy fees of \$910 (which was the best price we found), compared with about \$240 in the U.S. As husband is not currently working — and at age 57 his job search is more difficult — this has the potential of becoming a significant financial burden.
- 60 pages of completed tax forms and worksheets.
- Investment of approximately 80 man-hours in understanding what we needed to provide to our accountant, gathering necessary data, contacting UK financial institutions and collating information. Collecting and collating information is made especially difficult as the UK tax year is April 6 through April 5, and financial institutions are not prepared to provide information based on the U.S. tax year.

FATCA

At ages 57 and 52 we are naturally thinking more about retirement. This would ordinarily involve considering investment of some of our cash for income. However, U.S. financial companies are refusing to open new accounts, or add to existing ones, for American citizens living abroad. At the same time, FATCA rules are such that UK banks are refusing U.S. citizens as investment customers. This has happened to us: When we contacted the bank where we already hold cash accounts, we were first asked to provide our Social Security numbers. When questioning this, we were told that if we had Social Security numbers or tax ID numbers, they would not accept us as investment customers. This limits our options in saving for retirement.

Suggestions

We believe that residence-based taxation is the fairest way to treat American citizens who have chosen to live overseas (see American Citizens Abroad proposal at https://americansabroad.org/download_file/view/698/1/). Of course, tax reform can take some time. We would therefore suggest short-term fixes that could help relieve the burden of US taxes on Americans abroad, such as simplified reporting, and recognition and fiscal treatment of foreign pensions on terms comparable to U.S. pensions.